

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Chippewa Township	County Isabella
Fiscal Year End 3/31/07	Opinion Date June 19, 2007	Date Audit Report Submitted to State June 25, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


YES ☒ NO ☐

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney P.C.	Telephone Number (517) 351-6836		
Street Address 3511 Coolidge Road, Suite 100	City East Lansing	State MI	Zip 48823
Authorizing CPA Signature 	Printed Name Aaron M. Stevens, CPA	License Number 1101024055	

**Township of Chippewa
Isabella County, Michigan**

FINANCIAL STATEMENTS

March 31, 2007

Township of Chippewa
Isabella County, Michigan
March 31, 2007
BOARD OF TRUSTEES

George Grim	Supervisor
Barbara Kowallic	Clerk
Jan Gill	Treasurer
Clair Lapham	Trustee
Michelle Quakenbush	Trustee

Township of Chippewa

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Principals

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INDEPENDENT AUDITOR'S REPORT

Members of the Township Board
Township of Chippewa
Mt. Pleasant, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Chippewa, Michigan as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Township of Chippewa, Michigan as of March 31, 2007 in conformity with accounting principles generally accepted in the United States of America.

The Township has not presented a management's discussion and analysis (MD&A), which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that the MD&A is necessary to supplement, although not required to be part of the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Township of Chippewa's financial statements. The accompanying other supplementary information, as identified in the Table of Contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. The other supplementary information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 19, 2007

BASIC FINANCIAL STATEMENTS

Township of Chippewa
STATEMENT OF NET ASSETS
March 31, 2007

	<u>Governmental Activities</u>
ASSETS	
Current assets	
Cash and cash equivalents	\$ 1,200,641
Investments	377,278
Special assessments receivable	<u>7,863</u>
Total current assets	1,585,782
Noncurrent assets	
Capital assets not being depreciated	14,965
Capital assets, net of accumulated depreciation	<u>110,129</u>
Total noncurrent assets	<u>125,094</u>
TOTAL ASSETS	1,710,876
LIABILITIES	
Current liabilities	
Accounts payable	7,360
Accrued liabilities	<u>6,617</u>
TOTAL LIABILITIES	13,977
NET ASSETS	
Invested in capital assets, net of related debt	125,094
Unrestricted	<u>1,571,805</u>
TOTAL NET ASSETS	<u><u>\$ 1,696,899</u></u>

See accompanying notes to financial statements.

Township of Chippewa
STATEMENT OF ACTIVITIES
Year Ended March 31, 2007

Functions/Programs	Expenses	Program Revenues Charges for Services	Net (Expense) Revenue and Changes in Net Assets
Governmental activities:			
General government	\$ 210,364	\$ 24,796	\$ (185,568)
Public safety	106,280	-	(106,280)
Public works	132,696	729	(131,967)
Health and welfare	58,879	-	(58,879)
Community and economic development	29,628	-	(29,628)
Total governmental activities	<u>\$ 537,847</u>	<u>\$ 25,525</u>	(512,322)
General revenues:			
Property taxes			79,723
State shared revenue			322,742
Investment earnings			23,839
Miscellaneous			<u>179,548</u>
Total general revenues			<u>605,852</u>
Change in net assets			93,530
Net assets, beginning of the year			<u>1,603,369</u>
Net assets, end of the year			<u>\$ 1,696,899</u>

See accompanying notes to financial statements.

Township of Chippewa

GOVERNMENTAL FUNDS BALANCE SHEET

March 31, 2007

	General	Debt Service (1993 G.O. Bonds)	Capital Projects (Sanders Subdivision)	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,147,424	\$ 35,983	\$ 17,234	\$ 1,200,641
Investments	377,278	-	-	377,278
Special assessments receivable	-	7,863	-	7,863
Due from other funds	-	24,098	-	24,098
Advance to other funds	38,000	-	-	38,000
TOTAL ASSETS	\$ 1,562,702	\$ 67,944	\$ 17,234	\$ 1,647,880
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 7,360	\$ -	\$ -	\$ 7,360
Accrued liabilities	6,617	-	-	6,617
Deferred revenue	-	7,863	-	7,863
Due to other funds	16,065	-	8,033	24,098
Advances from other funds	-	38,000	-	38,000
TOTAL LIABILITIES	30,042	45,863	8,033	83,938
FUND BALANCES				
Reserved for:				
Advances to other funds	38,000	-	-	38,000
Public safety	42,166	-	-	42,166
Unreserved				
Designated for:				
Subsequent year's expenditures	108,710	-	-	108,710
Debt service	-	22,081	-	22,081
Capital expenditures	-	-	9,201	9,201
Undesignated	1,343,784	-	-	1,343,784
TOTAL FUND BALANCES	1,532,660	22,081	9,201	1,563,942
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,562,702	\$ 67,944	\$ 17,234	\$ 1,647,880

See accompanying notes to financial statements.

Township of Chippewa

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS

March 31, 2007

Total fund balances - governmental funds \$ 1,563,942

Amounts reported for the governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources
and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	206,876	
Accumulated depreciation is	<u>(81,782)</u>	
Capital assets, net		125,094

Long-term receivables are not available to pay for current period expenditures
and are therefore deferred in the funds. These consist of:

Deferred revenue	<u>7,863</u>
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Net assets of governmental activities \$ 1,696,899

See accompanying notes to financial statements.

Township of Chippewa

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended March 31, 2007

	General	Debt Service (1993 G.O. Bonds)	Capital Projects (Sanders Subdivision)	Total Governmental Funds
REVENUES				
Taxes	\$ 84,049	\$ -	\$ -	\$ 84,049
Licenses and permits	2,905	-	-	2,905
Intergovernmental	502,250	-	-	502,250
Charges for services	17,566	-	-	17,566
Interest	21,806	-	2,033	23,839
Other	40	8,032	-	8,072
TOTAL REVENUES	628,616	8,032	2,033	638,681
EXPENDITURES				
Current				
General government	194,375	-	-	194,375
Public safety	106,280	-	-	106,280
Public works	132,696	-	-	132,696
Health and welfare	58,879	-	-	58,879
Community and economic development	29,628	-	-	29,628
Other	19,765	-	-	19,765
TOTAL EXPENDITURES	541,623	-0-	-0-	541,623
EXCESS OF REVENUES OVER EXPENDITURES	86,993	8,032	2,033	97,058
Fund balances, beginning of year	1,445,667	14,049	7,168	1,466,884
Fund balances, end of year	<u>\$ 1,532,660</u>	<u>\$ 22,081</u>	<u>\$ 9,201</u>	<u>\$ 1,563,942</u>

See accompanying notes to financial statements.

Township of Chippewa

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2007

Net change in fund balances - total governmental funds **\$ 97,058**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	10,750	
Depreciation expense	<u>(6,974)</u>	
Excess of capital outlay over depreciation expense		3,776

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenue	<u>(7,304)</u>
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Change in net assets of governmental activities **\$ 93,530**

See accompanying notes to financial statements.

Township of Chippewa

Fiduciary Funds

STATEMENT OF NET ASSETS

March 31, 2007

	Agency Funds
ASSETS	
Cash	<u>\$ 7,218</u>
LIABILITIES	
Due to State	\$ 717
Due to individuals and agencies	<u>6,501</u>
	<u>\$ 7,218</u>

See accompanying notes to financial statements.

Township of Chippewa

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Chippewa Township, Michigan was organized as a Township under provisions of the constitution and general law of the State of Michigan. The Township is one of sixteen (16) townships in Isabella County. The Township operates under an elected Township Board, which consists of a Supervisor, Clerk, Treasurer, and two trustees, and provides services in many areas including fire protection, roads, and planning.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*; these financial statements present all financial activities of the Township of Chippewa. The Township has no activities that would be classified as component units.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

Based upon the application of these criteria, the financial statements of the Township of Chippewa contain all the funds controlled by the Township Board.

2. Joint Ventures

The Township participates in the following activity which is considered to be a jointly governed organization in relation to the Township, due to there being no ongoing financial interest or responsibility.

Shepherd Tri-Township Fire Department - The Township of Chippewa, in conjunction with the Townships of Coe and Lincoln, and the Village of Shepherd, has entered into an agreement to provide fire services by creating the Shepherd Tri-Township Fire Department.

Each unit names two members and one alternate from its governing body to serve as the Fire Department's Advisory Board. The Advisory Board has responsibility for adopting an annual budget. Under the arrangement, each unit bears its share of the Fire Department's direct labor costs for fire runs within its boundaries and other costs according to a formula which takes the ratio of population and State Equalized Valuation which each unit involved bears to the total population and State Equalized Valuation of all units involved, and averages the two. The percentages of responsibility for other costs for the year ended November 30, 2006, for the Townships of Chippewa, Coe, and Lincoln and the Village of Shepherd were 45%, 19%, 22%, and 14%, respectively. Annual contributions are made by each unit based upon the budget. The Township paid \$106,280 for operating expenditures, wage reimbursement, and mileage for the year ended March 31, 2007.

The financial activities of the Shepherd Tri-Township Fire Department are accounted for and reported separately from the participating units. Separate audited financial statements for their year ended November 30, 2006, are available from the Department. As of November 30, 2006, the Department had a fund balance of \$179,713.

3. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of these statements.

Township of Chippewa
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Basis of Presentation - continued

GOVERNMENT-WIDE FINANCIAL STATEMENTS - CONTINUED

The statement of activities presents the direct functional expenses of the Township and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, unrestricted State revenue sharing payments, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the Township's individual major funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The major funds of the Township are:

- a. General Fund - The General Fund is the general operating fund of the Township. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. Debt Service Fund (1993 G.O. Bonds) - The Debt Service Fund is used to account for the accumulation of resources for, and payment of, general long-term debt principal, interest, and related costs.
- c. Capital Projects Fund (Sanders Subdivision) - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital projects. Financing and construction of road improvements paid for by special assessments levied against benefited properties are included in this fund.

4. Measurement Focus

The government-wide financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

5. Basis of Accounting

Basis of accounting refers to when revenues and expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

Township of Chippewa
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5. Basis of Accounting - continued

All governmental and similar trust funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are property taxes, special assessments, and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

Private-sector standards of accounting and financial reporting issued to December 1, 1989, generally are followed in both the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

6. Budgets and Budgetary Accounting

The General Fund budget shown in the required supplementary information to the financial statements was prepared on a basis not substantially different than the basis used to reflect actual results.

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the budget is legally adopted on a departmental (activity) level for the General Fund through passage of a Board resolution. After the budget is adopted, all transfers of budgeted amounts between activities, or any revisions that alter the total expenditures of the fund or activity, must be approved by the Township Board.
- b. Formal budgetary integration is employed as a management control device during the year.
- c. The Township does not employ encumbrance accounting as an extension of formal budgetary integration. Appropriations unused at March 31 are not carried forward to the following fiscal year.
- d. Budgeted amounts are reported as originally adopted or amended by the Township Board during the year. Individual amendments were appropriately approved by the Township Board as required.

7. Cash and Cash Equivalents

Cash and cash equivalents consist of regular and money market checking, savings accounts, and certificates of deposits with an original maturity of 90 days or less. Cash and cash equivalents are recorded at market value.

8. Investments

Investments are recorded at cost, which approximates market value. Investments consist of certificates of deposit with an original maturity of greater than 90 days.

9. Property Taxes

The Township of Chippewa bills and collects both its own property tax levy and the tax levy for other governmental units. The Township's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Township of Chippewa

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE A: DESCRIPTION OF TOWNSHIP AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

9. Property Taxes - continued

The property taxes attach as an enforceable lien on property as of December 1. Taxes are levied December 1 and are payable through February 14. All property taxes not paid by February 14 are deemed delinquent. Delinquent real property taxes are turned over to the Isabella County Treasurer on March 1. The Isabella County Treasurer remits payment to the Township on all delinquent real property taxes. The Township then remits these delinquent payments to the applicable units. Delinquent personal property taxes are retained by the Township for subsequent collection. Property taxes are recognized as revenues in the period for which they are levied.

The Township is permitted to levy up to \$1 per \$1,000 of assessed valuation for general governmental service and additional amounts for debt service. For the year ended March 31, 2007, the Township levied 0.9795 mills per \$1,000 of assessed valuation for general governmental services. The total taxable value for the 2006 levy for property within the Township was \$80,706,655.

10. Capital Assets

Capital assets include buildings and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities. Capital assets are those with an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings	50 years
Equipment	3 - 15 years

11. Interfund Transactions

During the course of normal operations, the Township has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

12. Comparative Data

Comparative data for the prior year has not been presented in the accompanying financial statements since their inclusion would make the statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the Township of Chippewa is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

Township of Chippewa

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or Federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities, issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

As of March 31, 2007, the carrying amounts and bank balances for the accounts were as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Checking	\$ 1,100,502	\$ 1,102,386
Savings	53,217	53,217
Certificates of Deposit	<u>431,343</u>	<u>431,343</u>
	<u>\$ 1,585,062</u>	<u>\$ 1,586,946</u>

The cash and cash equivalents captions on the financial statements include \$75 in imprest cash.

Deposits of the Township are at federally insured banks located in the State of Michigan, with all accounts maintained in the name of the Township. As of March 31, 2007, the Township accounts were insured by the FDIC for \$552,901 and the amount of \$1,034,045 was uninsured and uncollateralized.

Due to significantly higher cash flows at certain periods during the year, the amount the Township held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

Interest Rate Risk

The Township has not adopted a policy that indicates how the Township will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Township of Chippewa
NOTES TO FINANCIAL STATEMENTS
March 31, 2007

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Concentration of Credit Risk

The Township has not adopted a policy that indicates how the Township will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of March 31, 2007:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>
Cash and cash equivalents	\$ 1,200,641	\$ 7,218
Investments	<u>377,278</u>	<u>-</u>
	<u>\$ 1,577,919</u>	<u>\$ 7,218</u>

NOTE C: INTERFUND RECEIVABLES AND PAYABLES

The amount of interfund receivables and payables at March 31, 2007, are as follows:

Due to Debt Service Fund from:	
General Fund	\$ 16,065
Capital Projects Fund	<u>8,033</u>
	<u>\$ 24,098</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

NOTE D: ADVANCES RECEIVABLE AND PAYABLE

The following schedule details advances receivable and payable at March 31, 2007:

Advance from General Fund to:	
Debt Service Fund	<u>\$ 38,000</u>

The balance of \$38,000 advanced to the Debt Service Fund from the General Fund resulted from loans made for payment of debt.

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2007 was as follows:

	<u>Balance April 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance Mar. 31, 2007</u>
Capital assets not being depreciated				
Land	\$ 14,965	\$ -	\$ -	\$ 14,965

Township of Chippewa

NOTES TO FINANCIAL STATEMENTS

March 31, 2007

NOTE E: CAPITAL ASSETS - CONTINUED

	Balance <u>April 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Mar. 31, 2007</u>
Capital assets being depreciated				
Land improvements	\$ -	\$ 10,750	\$ -	\$ 10,750
Buildings	159,486	-	-	159,486
Equipment	<u>21,675</u>	<u>-</u>	<u>-</u>	<u>21,675</u>
Totals at historical cost	181,161	10,750	-0-	191,911
Less accumulated depreciation for:				
Land improvements	-	(538)	-	(538)
Buildings	(66,660)	(3,168)	-	(69,828)
Equipment	<u>(8,148)</u>	<u>(3,268)</u>	<u>-</u>	<u>(11,416)</u>
Total accumulated depreciation	<u>(74,808)</u>	<u>(6,974)</u>	<u>-0-</u>	<u>(81,782)</u>
Net capital assets being depreciated	<u>106,353</u>	<u>3,776</u>	<u>-0-</u>	<u>110,129</u>
Capital assets, net	<u>\$ 121,318</u>	<u>\$ 3,776</u>	<u>\$ -0-</u>	<u>\$ 125,094</u>

Depreciation expense was charged to the following governmental activities:

General government	<u>\$ 6,974</u>
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NOTE F: RETIREMENT PLAN

The Township of Chippewa is the sponsor of a retirement plan for the sole benefit of its employees. The Township of Chippewa Pension Plan is a money purchase defined contribution pension benefit plan. During the year ended March 31, 2007, the Township of Chippewa was required to contribute for all eligible employees at a minimum rate of 15% of wages.

For the year ended March 31, 2007, the Township had a total payroll of \$64,613. The Township of Chippewa Retirement Plan covered a payroll of \$35,300. The Township made contributions to the retirement plan in the amount of \$6,705.

NOTE G: FUND BALANCE RESERVES AND DESIGNATIONS

Reserved fund balances are used to earmark a portion of fund balance to indicate that it is not appropriate for expenditure or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance that the Township has set aside for specific purposes.

The following are the various fund balance reserves as of March 31, 2007:

General Fund	
Reserved for advances to other funds	\$ 38,000
Reserved for public safety	<u>42,166</u>
	<u>\$ 80,166</u>

Township of Chippewa
NOTES TO FINANCIAL STATEMENTS
March 31, 2006

NOTE G: FUND BALANCE RESERVES AND DESIGNATIONS - CONTINUED

The following are the fund balance designations as of March 31, 2007

General Fund	
Designated for subsequent year's expenditures	\$ 108,710
Debt Service Fund	
Designated for debt service	22,081
Capital Projects Fund	
Designated for capital expenditures	<u>9,201</u>
	<u>\$ 139,992</u>

NOTE H: RISK MANAGEMENT

The Township participates in a pool, the Michigan Township Participating Plan with other municipalities for various risks of loss including employer's liability, errors and omissions, and property and casualty losses. The pool is organized under Public Act 138 of 1982, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The Township has not been informed of any special assessments being required.

The Township also maintains commercial insurance coverage for workers' compensation.

NOTE I: RELATED PARTY TRANSACTIONS

The Township engages in business transactions with one vendor, Grim Enterprises, which is owned and operated by the Township supervisor. These transactions are made in the normal course of business and amounted to \$47,590 for the year ended March 31, 2007.

NOTE J: BUILDING AND ZONING FINANCIAL INFORMATION

The Township elected to report the financial activities of the building and zoning activity in the general fund. The following is the required information as it relates to this activity for the year ended March 31, 2007:

REVENUES	
Building Permits	\$ 2,905
EXPENDITURES	
Salary and fringes	14,247
Supplies and miscellaneous	4,392
Publications and notices	<u>981</u>
TOTAL EXPENDITURES	<u>19,620</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>\$ (16,715)</u>

REQUIRED SUPPLEMENTARY INFORMATION

Township of Chippewa

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended March 31, 2007

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes				
Current tax levy	\$ 70,000	\$ 70,000	\$ 78,933	\$ 8,933
Delinquent personal property tax	100	100	-	(100)
Penalties and interest	50	50	83	33
Trailer park taxes	650	650	708	58
Property tax administration fees	-	-	4,325	4,325
Total taxes	70,800	70,800	84,049	13,249
Licenses and permits				
Building/zoning permits	3,000	3,000	2,905	(95)
Intergovernmental - State				
State shared revenue	250,000	250,000	322,742	72,742
Tribal gaming revenue	-	-	179,508	179,508
Total intergovernmental	250,000	250,000	502,250	252,250
Charges for services				
Cable franchise fees	12,000	12,000	15,093	3,093
Cemetery lots and grave openings	3,000	3,000	2,473	(527)
Total charges for services	15,000	15,000	17,566	2,566
Interest and dividends	6,000	6,000	21,806	15,806
Other				
Miscellaneous	60,100	60,100	40	(60,060)
TOTAL REVENUES	404,900	404,900	628,616	223,716
EXPENDITURES				
General government				
Township board	14,600	15,700	12,707	2,993
Supervisor	14,500	14,500	13,542	958
Clerk	26,050	26,250	22,246	4,004
Board of Review	2,200	2,575	1,510	1,065
Treasurer	20,650	20,650	15,944	4,706
Assessor	24,100	24,100	22,137	1,963
Elections	10,000	10,200	7,024	3,176
Township hall	17,350	36,250	28,898	7,352
Cemetery	29,250	36,750	30,270	6,480
Soil preservation	5,000	5,000	2,500	2,500
Other	16,100	43,480	37,597	5,883
Total general government	179,800	235,455	194,375	41,080

Township of Chippewa

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended March 31, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Public safety				
Fire department	\$ 129,000	\$ 129,000	\$ 106,280	\$ 22,720
Public works				
Street lights	8,060	8,186	7,711	475
Highways, streets, and bridges	130,800	131,300	124,901	6,399
Drains at large	3,000	3,000	84	2,916
Total public works	141,860	142,486	132,696	9,790
Health and welfare				
Emerald ash borer survey	58,880	58,880	58,879	1
Community and economic development				
Zoning commission	16,300	21,072	19,620	1,452
Planning commission	17,850	17,850	10,008	7,842
Total community and economic development	34,150	38,922	29,628	9,294
Other				
Pension plan contributions and fees	11,000	11,000	6,705	4,295
Social security	5,000	5,000	3,306	1,694
Insurance	10,500	10,500	9,754	746
Total other	26,500	26,500	19,765	6,735
TOTAL EXPENDITURES	570,190	631,243	541,623	89,620
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(165,290)	(226,343)	86,993	313,336
Fund balance, beginning of year	1,445,667	1,445,667	1,445,667	-0-
Fund balance, end of year	\$ 1,280,377	\$ 1,219,324	\$ 1,532,660	\$ 313,336

OTHER SUPPLEMENTARY INFORMATION

Township of Chippewa

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

March 31, 2007

	Trust and Agency	Current Tax Collections	Total
ASSETS			
Cash	\$ 717	\$ 6,501	\$ 7,218
LIABILITIES			
Due to State	\$ 717	\$ -	\$ 717
Due to individuals and agencies	-	6,501	6,501
TOTAL LIABILITIES	\$ 717	\$ 6,501	\$ 7,218

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA



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East Lansing, MI 48823
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MANAGEMENT LETTER

To the Board of Trustees
Township of Chippewa
Mt. Pleasant, Michigan

Dear Ladies/Gentlemen:

As you know, we have recently completed our audit of the records of the Township of Chippewa for the year ended March 31, 2007. In connection with the audit, we feel that certain changes in your accounting procedures would be helpful in improving management's control and the operational efficiency of the accounting functions. These suggestions are a result of our evaluation of the Township's internal controls and our discussions with management.

1. The Board of Trustees should adopt a formal written policy for capital asset management.

During discussions with management, we noted that the Board of Trustees has not formally implemented written procedures and policies for capital asset management. We believe that by documenting specific policies, contractual employees will have a clearer understanding of the organization's expectations. We also believe that such documentation will provide greater internal control. This issue was noted and reported in our audit comments last year.

We suggest that the Board adopt a policy for the capitalization and disposal of capital assets. The policy should specify criteria for capitalizing assets, including the per unit dollar value threshold to be used. Items below the threshold established by the Board may be expensed as they are purchased. The policy should also specify that the disposal of capital assets requires formal approval by the Board of Trustees. Such approval should be documented in the minutes of the Board meetings.

2. The Board should amend the Township's investment policy to address the disclosures described by GASB Statement No. 40.

During the course of our audit and through discussions with administration, it was noted that the Township has not amended their investment policy to address various areas of risk as described by GASB Statement No. 40. Deposit and investment resources often represent significant assets of the Township's funds. These resources are necessary for the delivery of the Township's services programs, or to carry out its fiduciary responsibilities. Effective for year ended March 31, 2006, GASB Statement No. 40 is designed to inform financial statement users about deposit and investment risks that could affect the Township's ability to provide services and meet its obligations as they become due. This issue was noted and reported in our audit comments last year.

We suggest the Board review their current investment policy and make the necessary amendments to address custodial risk, concentration of credit risk, interest rate risk, and foreign currency risk, if applicable. Such policies are required to be disclosed in the notes to the Township's financial statements by GASB Statement No. 40.

These conditions were considered in determining the nature, timing, and extent of the audit tests to be applied in our audit of the financial statements and this report does not affect our report on the financial statements dated June 19, 2007.

This report is intended solely for the use of management and the Board of Trustees of the Township of Chippewa and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss any or all of these suggestions with you and to provide assistance in the implementation of improvements.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

June 19, 2007

Principals

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Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
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REPORT ON INTERNAL CONTROL

To the Board of Trustees
Township of Chippewa
Mt. Pleasant, Michigan

In planning and performing our audit of the financial statements of the Township of Chippewa as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the Township of Chippewa's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

PREPARATION OF FINANCIAL STATEMENTS

Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the Township rests with the Township's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

It has historically been common for many governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at Chippewa Township. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the Township's annual financial statements and notes to the financial statements in accordance with GAAP. The Township relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Township's internal control.

This report is intended solely for the information and use of management and Members of the Board of Trustees for the Township of Chippewa, others within the organization, and applicable departments of the State of Michigan and is not intended to be and should not be used by anyone other than these specified parties.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY P.C.
Certified Public Accountants

June 19, 2007